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SUBJECT: RESPONSE: IMPACT OF RISING FOOD/COMMODITY PRICES - THE
NETHERLANDS

REF: STATE 39410

THE HAGUE 00000377 001.2 OF 002

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ACCORDINGLY.

¶1. (SBU) SUMMARY. While there has been a steady increase in Dutch food producers' prices over the last two years, these increases have only been partially passed on to domestic Dutch consumers. Despite its role as a leading agricultural exporter (in value terms), there are no indications of any major changes in GONL policies regarding food and agricultural production and/or exports. END SUMMARY.

STEADY RISE IN PRODUCERS' PRICES

¶2. (U) In response to reftel, Dutch food producers have been increasing their product prices steadily since mid-2006, according to official statistics. Food producer prices were on average 16 percent higher in January 2008, when compared with January 2007 prices. Producer prices for animal and vegetable oils saw the highest increase (45 percent), while increases in fish and meat prices were relatively small. Animal feed, flour, and dairy producer product prices were on average approximately 30 percent higher in January 2008 than in January 2007.

¶3. (U) While wholesale prices for milk powder increased by 80 percent during this period, they have recently fallen significantly. Cheese and butter wholesale prices also grew strongly in the fall of 2007, and then fell again. Wholesale prices for milk and cream increased steadily in 2007 and were approximately 20 percent higher in January 2008 than in January 2007.

INCREASES PARTIALLY PASSED TO DOMESTIC CONSUMERS

¶4. (U) The full costs of these increases appear to have been only partially absorbed by domestic Dutch consumers. Dutch consumers paid 16 percent more for dairy products in February 2008 than in February 2007. Retail prices for animal and vegetable oils were 11 percent higher during this same period, while bread and cereal product prices grew by only 7 percent. Dutch consumers spent 2.5 percent more on food products in 2007 compared to 2006.

¶5. (U) As in most Western European countries, the percentage of Dutch household income spent on food products is small relative to total expenditures. Increases in retail food prices, therefore, generally have less of an effect on consumers. The percentage of household income spent on food products fell from almost 19 percent in 1992 to 13 percent in 2007.

MAJOR SUPPLIER OF AGRICULTURE GOODS

¶6. (U) Dutch agriculture and fisheries sectors account for over 2 percent of GDP and mainly produce fish, dairy, poultry, meat, flower bulbs, cut flowers, potatoes, vegetables, and fruits. These sectors are highly intensive and export focused. The Netherlands remains one of largest exporters of agricultural products in the world (behind the U.S. and France) in terms of high-value produce (\$67 billion in 2007). The country exports more food products, except grain, than it imports, and boasted a 2007 trade surplus in agricultural products of over \$22 billion. Plants, cheese, beer, and cut flowers top the list of lead agriculture exports, while neighboring EU countries remain primary export markets. The U.S. is the Netherlands' largest non-EU export market for food and agricultural products, consisting largely of beer and flower bulb exports.

¶7. (U) The ports of Rotterdam and Amsterdam are also key entry points to continental Europe for food and agricultural products due to the Netherlands' geographical location, excellent infrastructure, and trading tradition. For example, the Netherlands accounted for roughly 15 percent of the total EU-27 imports of U.S. food and agricultural products in 2007.

NO POLICY SHIFTS FOR NOW

¶8. (SBU) Dutch policies related to food and agricultural issues are largely driven by decisions in Brussels, including the EU's

THE HAGUE 00000377 002.2 OF 002

Common Agricultural Policy (CAP). However, most of the crop sectors receiving heavy support under CAP are of minor importance in the Netherlands. Given its heavy reliance on trade, the Netherlands is generally in favor of free trade and the reduction of trade-distorting subsidies but can be protective of its dairy, beef, sugar, and potato sectors.

¶9. (SBU) As a major agricultural exporter, the Netherlands stands to benefit from any increases in international food and agricultural commodity prices. However, the GONL is also acutely aware of the potential negative impact of rising and/or fluctuating international food and agricultural commodity prices on economies around the world, especially in developing countries. At present, there are no indications that the GONL intends to undertake any major changes in its policies regarding food and agricultural production and/or exports.

GALLAGER